

CONTROL NO. 2816
ATTACHMENT NO. 1
26 June 1964

MEMORANDUM FOR: Secretariat, Economic Intelligence Committee

SUBJECT : EIC Subcommittee on Agriculture Annual Report for FY 1964

A. Activities of the Subcommittee During Fiscal Year

1. Review of the Intelligence Product in the Subcommittee's Field of Competence.

Continuous review of intelligence reports on Soviet grain production and trade carried out by ASC members on an informal basis.

2. Research and Collection Deficiencies

The sub-committee has not prepared any Research and Collection Deficiency statements in FY 64.

3. Review of Substantive Papers

None.

4. Review of Proposals for External Research

None.

5. Maintenance of Agreed Basic Statistics

There have been informal discussions among some Subcommittee members on past and current agricultural production statistics of Bloc countries. In most cases there has been substantial agreement.

6. Projects Undertaken at the Request of the EIC or Proposed to the EIC

None.

7. Intelligence Research Techniques

There was no discussion of research techniques by the Subcommittee during FY 64.

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8. Special Coordinating Functions of the Subcommittee

Specialists from the Department of State, the Department of Agriculture and CIA have regularly discussed the effects of weather on crop production in the Bloc countries.

9. Evaluation of the Role of the Subcommittee

As evidenced by the lack of activity by the Agricultural Subcommittee as a whole, it is felt that the ASC has been, in general, an unwieldy medium through which to accomplish regular coordination on substantive matters. Close and frequent inter-agency collaboration on an informal basis on matters of mutual interest has proved to be much more effective.

B. Future Program of the Committee

No changes in the functioning of the ASC are contemplated for FY 65. The Subcommittee should continue to identify gaps in research and collection, approve external research projects, serve as a coordinating body for all agencies and departments having responsibilities in food and agriculture, and serve as a clearing house for information and data on western countries which could be useful in appraising developments in the Sino-Soviet Bloc. The Subcommittee should be alert and discuss significant developments, activities and situations in the field of food and agriculture throughout the world. In particular the Subcommittee will attempt to assemble a coordinated set of statistics on agricultural production which will be made available to U.S. policymakers.

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Secretary
EIC Subcommittee on Agriculture

S-E-C-R-E-T

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DEPARTMENT OF AGRICULTURE
WASHINGTON 25, D.C.

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JAN 15 1965

Dr. Otto E. Guthe
Chairman, Economic Intelligence
Committee
Central Intelligence Agency
Washington, D.C.

Dear Dr. Guthe:

I have your letter of December 16 relative to the problem of Soviet agricultural statistics. I would like, first of all, to comment on some of the points you made which led to your substantive proposal.

You mention the "confusion which arose about a year ago when two different sets of index numbers for Soviet agricultural output" were submitted to the Joint Economic Committee. You attribute one index to the CIA and another to U.S. Department of Agriculture. This Department, however, has not been asked to submit an index of agricultural production. All we were requested to do--probably because of our earlier published reports on the subject--was to prepare an up-to-date set of tables comparing major agricultural statistics (area, crops, size of farms, etc.) in the United States and the Soviet Union. In accordance with this request, eight tables were submitted to the Joint Economic Committee last year, which will be found on pages 29-32 of the Annual Economic Indicators for the USSR. These comparisons dealt with the most recent year for which data were available and utilized the same USDA estimates of Soviet area, yields, and production that are used throughout the Department. When these tables were returned for proofreading, we found that an additional table (II-9) had been added, which contained an index of agricultural production. The exact origin of this table was not made clear at the time. In returning the galley proofs, it was pointed out by USDA that: 1. The index was not of USDA origin; 2. Information available to the USDA could not support the index and corresponding numbers from our own index, which is on a crop year basis, were indicated on the galley; and 3. That if it were to be used, it should be removed from the section, since its position in the report indicated attribution to USDA.

However, when the report was published, the index appeared unchanged in the original location. Its most serious fault, as we indicated at that

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time, was that it showed a very sharp drop in Soviet agricultural production in 1962 when the estimated output of grain and livestock products had increased. Livestock numbers had also increased and only minor declines in a few crops took place. What was more perplexing, the 1962 drop could not have been explained by differences between USDA and CIA production estimates for, as you indicate, they differ only to a minor degree on a year by year basis. Both sets of figures are substantially below the reported Soviet official figures, but are on the whole similar and cannot be held responsible for the confusion which arose.

We were pleased to learn recently from Mr. Gasser's communication that another index will be submitted by the CIA to the Joint Economic Committee, which is more in line both with our production estimates and those of CIA and is more realistic than the index published last year. Instead of a six point decline from 134 in 1961 to 128 in 1962 it shows merely a one point decline from 129 to 128 (1955=100).

Our estimates of Soviet crops, like those of CIA, are based on rough empirical judgments of yields, aiming to eliminate excessive trash and moisture and inflation or falsification from Soviet official crop statistics and make them comparable with similar statistics in most other countries. Our concept, as that of CIA, is usable barn outturn. The estimates are developed through cooperation of regional specialists in the Economic Research Service and commodity specialists in the Foreign Agricultural Service, with the aid of the Agricultural Attaché in Moscow. In this task, our specialists rely on their long experience, a considerable store of accumulated historical and background data and all available weather and other current information. Our specialists also benefit from frequent informal conferences and contacts with their CIA and State Department counterparts and, therefore, are familiar with their point of view and vice versa. It is hoped that this fruitful relationship will continue in the future.

Estimates of major Soviet crops thus developed are reviewed, as are the figures for all other countries, by a joint FAS-ERS panel, chaired by the Director of Statistics in FAS. After approval, they are included in world totals and published periodically, thus discharging one of the statutory functions of this Department. These estimates are also used for the construction of USDA production indices for the world as a whole and on a regional basis. Considering the roughness of the estimates, we of course, do not claim great precision for our series, except that we believe it to be nearer to reality than the official Soviet statistics,

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the unreliability of which was again confirmed by the 1963 agricultural fiasco. Our series, therefore, serves its purpose and is widely used.

It is possible that the new leadership in the Kremlin, which has withheld publication of production figures even for 1963, may take this opportunity to revise its crop statistics on a more realistic basis and blame Khrushchev for past distortions. There is a precedent for such action in Malenkov's and Khrushchev's repudiation of the notoriously exaggerated biological yields in 1953 after Stalin's death. Also, one cannot rule out the possibility of the Soviets publishing some additional material which may throw new light on crop yields and production. They may disclose, for instance, data on utilization, which would permit testing production figures by the utilization balance method. This, of course, may warrant a revision of our estimates as well as yours. In the absence of such new evidence, we do not see why a pragmatically useful, widely used published crop series should be upset because of minor differences in what, in the present state of knowledge, cannot be anything but rough approximations. Because of these considerations, and also because of the fluidity of the Soviet agricultural statistical situation, we do not believe that this is an opportune moment to undertake the time-consuming task of attempting to reconcile minor differences in estimates of Soviet agricultural production. Furthermore, the Department of Agriculture cannot obligate itself to obtain formal approval from another agency before publishing agricultural estimates. At the same time, we are anxious to continue to cooperate with your specialists in developing such estimates.

Since responsibility in this Department for economic research on the Soviet Union and on the entire Communist bloc is now vested in the Economic Research Service, and to assure more effective coordination of this research with similar activities undertaken in your agency and in other departments and agencies of the Federal Government, I am designating Dr. Wilhelm Anderson as this Department's representative, and Dr. Lazar Volin as alternate on your Economic Intelligence Committee. I am also designating Dr. Lazar Volin and G. Stanley Brown as this Department's representative and alternate, respectively, on the EIC's Subcommittee on Agriculture. Dr. Anderson is Director, Foreign Regional Analysis Division, and Dr. Volin and Mr. Brown are Chief and Assistant Chief, respectively, East European Branch, same Division, all in the Economic Research Service.

Notwithstanding the foregoing committee designations, it is requested that Eugene T. Olson, Special Assistant, Sino-Soviet Agricultural Affairs, Foreign Agricultural Service, be kept advised of committee meetings and be privileged to attend such meetings and contribute to the discussions.

Sincerely yours,


John A. Schnittker

Director, Agricultural Economics

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OPTIONAL FORM NO. 10

UNITED STATES GOVERNMENT

Memorandum

TO : Ch/E

DATE: 18 Jan 1965

FROM : AD/RR

SUBJECT:

Dear Ed:

Not only does the Director of Agricultural Economics designate new representatives to the Economic Intelligence Committee, but also an alternate to the Subcommittee on Agriculture (see last page). I assume this has been checked out with Olson, but I am asking [redacted] to call Olson about it.

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I gather that Mr. Schnittker has turned down our suggestion regarding support of the Subcommittee's proposal for a Handbook of statistics on Soviet agriculture. What now?

[redacted]
Otto E. Guthe

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